

PJM Procedure for Cost Reimbursement

Definition

This procedure addresses participant concerns regarding limited fuel situations and cost reimbursement. The aim of the procedure is to enable units that are requested to remain online by PJM System Operations past their initial, day-ahead commitment and in order to do so are forced to procure fuel at a higher cost than that on which their day-ahead or the Reliability Assessment (Rebid Period) offer was based, to better manage the risk associated with the additional costs associated with that operation. This procedure is not intended to guarantee cost recovery nor is it intended to address lost opportunity, profit maximization, or normal Operating Reserves make-whole payments where no change in fuel cost was experienced.

Offers

The mechanism in eMarket allows each generation owner to offer up to five cost schedules and one price schedule. In order to be eligible for reimbursement for higher cost fuel as a result of complying with a PJM dispatch request, participants will be required to enter a range of estimated costs to operate utilizing the higher priced fuel into one or more additional cost schedules (#1-89) and make this information available prior to the Day Ahead Market or the Reliability Assessment (if the unit was not taken in the DAM) on the Schedule Selection page of the Market User Interface (MUI). The range of estimated costs should cover the range of costs that participants believe they could face during the PJM operating day. In every case, the submitted costs must follow the current Cost Development Guidelines. Participants will be required to provide documentation directly to the PJM MMU of the basis for the estimated fuel cost(s) and associated operating cost(s). Participants will also be required to provide documentation during the PJM operating day of the actual fuel costs incurred and the actual associated operating cost(s). If MMU review shows that the new schedule regularly exceeds the actual costs incurred during the extended operating hours, the participant will be notified that the method for estimate calculations needs to be modified to more accurately reflect actual costs. If MMU review shows that the new schedule continues to exceed actual costs, the participant will not be permitted to utilize this procedure for making intra-day cost based offers.

Operations

If a unit has been asked to extend its hours of operation in real time and the unit has a limited fuel supply and must utilize higher priced fuel to remain online, the participant must inform the PJM system operator of the fuel cost change by requesting

the real time offer to be switched to one of the additional available schedules. The participant must verify that the new schedule is the one reflecting fuel costs closest to those that will be actually paid to operate for the extended hours requested. The PJM operator will evaluate whether the higher cost schedule is economic and if so, will log the unit on the new schedule in the Dispatch Management Tool.

Settlements

Participants who have been asked by PJM to extend a unit's run time and in order to comply with that request procured higher cost fuel have until 12:00 noon on the following business day to submit an e-mail to **market_bids@pjm.com** with the following information:

- Unit Name
- Date of operation
- Time of extended operation
- Number of new schedule
- Name of new Schedule
- Contact information (name of sender, phone, e-mail)
- Date and time of PJM Dispatch contact to generator
- Actual marginal cost of unit considering the actual cost of the fuel procured to continue operating

Market operations personnel will confirm with System Operations the operation of the unit. The information will be forwarded to Market Settlements for compensation. In the event that this occurrence can not be confirmed, the unit will be paid on the original schedule logged by the system operators.